

Message Text

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51

ACTION AGR-20

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PASS AGRICULTURE FOR GOODMAN AND GRAIN & FEED DIVISION

E.O. 11652: N/A

TAGS: EAGR, GW

SUBJECT: FRG INTERVENTION AGENCY CORN TENDER AND IN-
FERENCE OF STOCK BUILDING

REF: FASTO 25

1. ALTHOUGH FRG FEDERAL RESERVE STOCKS ARE KNOWN TO HAVE BEEN MAINTAINED AT ABOUT TWO MILLION TONS, NEITHER THE COMMODITY COMPOSITION NOR THE DISPOSITION/ACQUISITION PLANS ARE MADE AVAILABLE UNTIL PLANS ARE OFFICIALLY PUBLISHED. AS MANAGER OF THE FEDERAL RESERVES, INTERVENTION AGENCY SOUGHT ADDITIONAL STOCKS OF CORN AND DURUM SUBJECT TO MINAG APPROVAL. DURUM PROPOSAL WAS REJECTED ALMOST OUT-OF-HAND. CORN PROPOSAL IS REPORTED LIMITED TO ALLOCATION OF FUNDS THAT WOULD PERMIT PURCHASING ONLY ABOUT HALF OF THE 250,000 TONS BEING TENDERED FOR. MINAG REPORTEDLY ANGUISHED OVER ALLOWING ANY TENDER AT THIS TIME, BUT WERE RUMORED TO HAVE BEEN PERSUADED BY INFLUENTIAL GERMAN TRADERS WHO COULD OFFER BALKAN CORN. MINAG CONCERN WAS PROMPTED BY (1) POSSIBLE STIMULUS TO FRENCH CORN PRICES THAT ARE HIGHER THAN WHEAT DESPITE RECENT WHEAT SALES TO ITALY REPORTED TO BE IN EXCESS OF ONE MILLION TONS, AND (2) CONCERN THAT THE SHORTFALL IN EC CORN PRIOR TO FRENCH NEW CROP WILL BE ABOUT 500,000 TONS.

2. FEDERAL RESERVE CORN STOCKS CALCULATED AS THE RE-
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SIDUAL OF TOTAL STOCKS LESS COMMERCIAL STOCKS SHOWED

150,000 ON HAND AS OF AUGUST 1, 1973, WITH NO PROGRAM ANNOUNCEMENT SINCE THAT DATE. IF THE INTERVENTION AGENCY SUCCEEDS IN BUYING THE FULL 250,000 TONS, TOTAL CORN STOCKS WOULD THEN BE AT ABOUT THE SAME LEVEL AS IN BOTH 1967 AND 1968. IN OUR OPINION, THIS TENDER DOES NOT REFLECT A SIGNIFICANT STEP TOWARD A DELIBERATE STOCK BUILD-UP.

3. CALCULATED FRG FEDERAL RESERVE STOCKS FOR CORN ARE AS FOLLOWS: 1967-407; 1968-402; 1969-170; 1970-13; 1971-11; 1972-140; 1973-150.
HILLENBRAND

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